

JEFFERSON DAVIS COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2010

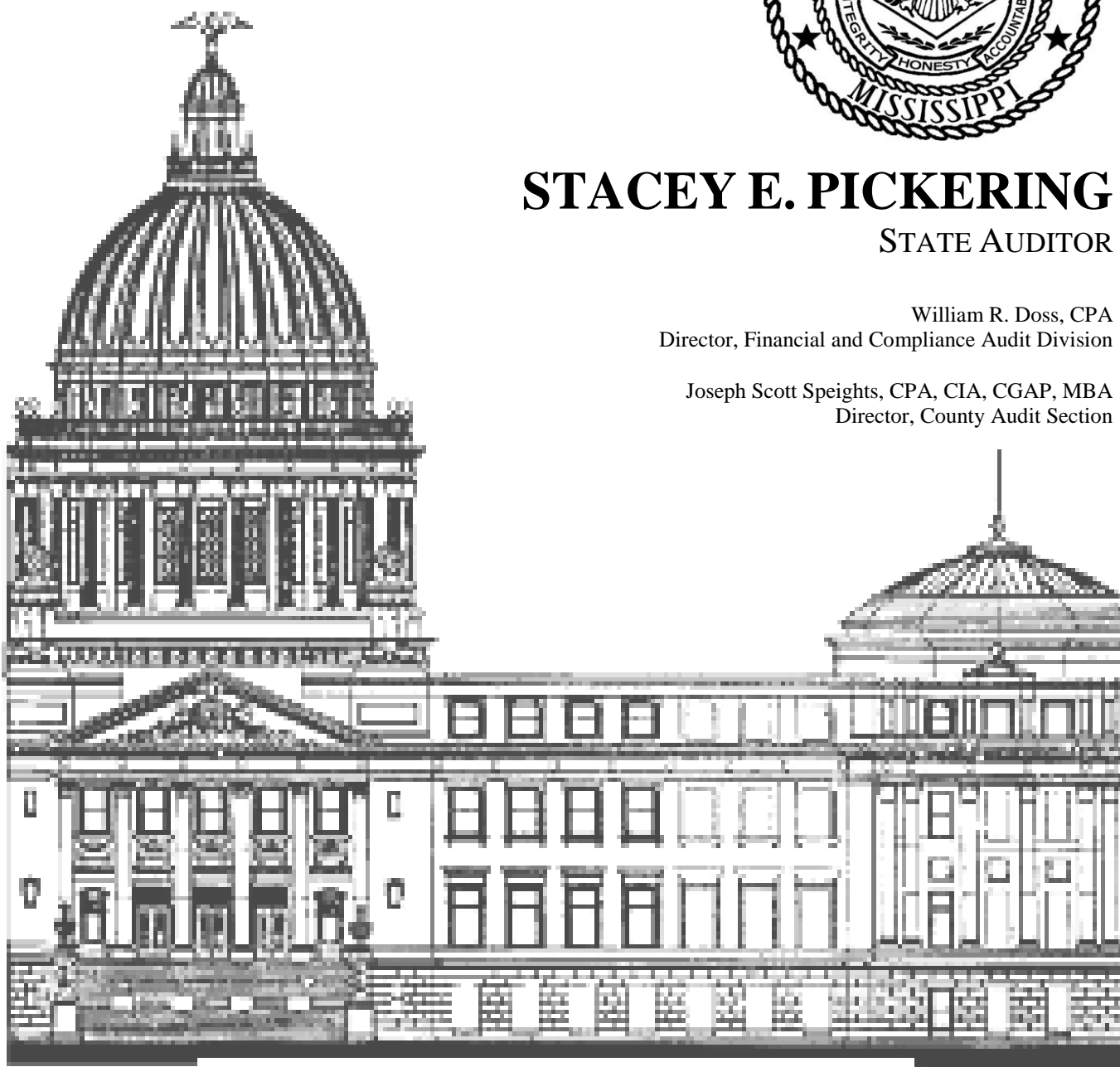


STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA
Director, Financial and Compliance Audit Division

Joseph Scott Speights, CPA, CIA, CGAP, MBA
Director, County Audit Section



A Report from the County Audit Section

www.osa.state.ms.us



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

February 24, 2012

Members of the Board of Supervisors
Jefferson Davis County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2010 financial and compliance audit report for Jefferson Davis County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

I appreciate the cooperation and courtesy extended by the officials and employees of Jefferson Davis County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Jefferson Davis County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering". The signature is fluid and cursive, with a large, stylized initial "S".

Stacey E. Pickering
State Auditor

JEFFERSON DAVIS COUNTY

TABLE OF CONTENTS

FINANCIAL SECTION	1
INDEPENDENT AUDITOR’S REPORT	3
FINANCIAL STATEMENTS	5
Statement of Net Assets	7
Statement of Activities	8
Balance Sheet - Governmental Funds	9
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	10
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	11
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	12
Statement of Fiduciary Assets and Liabilities	13
Notes to Financial Statements	15
REQUIRED SUPPLEMENTARY INFORMATION	27
Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) General Fund	28
Notes to the Required Supplementary Information	29
SUPPLEMENTAL INFORMATION	31
Reconciliation of Operating Costs of Solid Waste	32
SPECIAL REPORTS.....	33
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	35
Independent Auditor’s Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules (Required by Section 31-7-115, Miss. Code Ann. (1972)).....	37
Limited Internal Control and Compliance Review Management Report	43
SCHEDULE OF FINDINGS AND RESPONSES	45

JEFFERSON DAVIS COUNTY

FINANCIAL SECTION

JEFFERSON DAVIS COUNTY

(This page left blank intentionally.)



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Jefferson Davis County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Jefferson Davis County, Mississippi, as of and for the year ended September 30, 2010, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements do not include financial data for the county's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. The county has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net assets, revenues and expenses of the aggregate discretely presented component units is not reasonably determinable.

In our opinion, because of the omission of the discretely presented component units, as discussed previously, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of Jefferson Davis County, Mississippi, as of September 30, 2010, or the changes in financial position thereof for the year then ended.

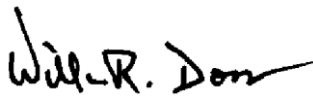
In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities the major fund and the aggregate remaining fund information of Jefferson Davis County, Mississippi, as of September 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2012, on our consideration of Jefferson Davis County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Jefferson Davis County, Mississippi, has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

The Budgetary Comparison Schedule and corresponding notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jefferson Davis County, Mississippi's basic financial statements. The accompanying Reconciliation of Operating Costs of Solid Waste is also presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Will R. Dooss".

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

February 24, 2012

JEFFERSON DAVIS COUNTY

FINANCIAL STATEMENTS

JEFFERSON DAVIS COUNTY

(This page left blank intentionally.)

JEFFERSON DAVIS COUNTY
Statement of Net Assets
September 30, 2010

Exhibit 1

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Cash	\$ 8,985,701
Property tax receivable	4,132,118
Fines receivable (net of allowance for uncollectibles of (\$1,496,704)	322,231
Intergovernmental receivables	50,381
Other receivables	12,017
Capital assets:	
Land	381,562
Other capital assets, net	22,199,632
Total Assets	<u>36,083,642</u>
LIABILITIES	
Claims payable	266,206
Intergovernmental payables	207,230
Deferred revenue	4,132,118
Other payables	58,280
Long-term liabilities	
Due within one year:	
Capital debt	140,079
Non-capital debt	65,832
Due in more than one year:	
Capital debt	
Non-capital debt	1,216,101
Total Liabilities	<u>6,085,846</u>
NET ASSETS	
Invested in capital assets, net of related debt	22,441,115
Restricted:	
Expendable:	
General government	215,355
Debt service	132,782
Public safety	10,603
Public works	1,586,760
Culture and recreation	53,962
Unemployment compensation	17,255
Unrestricted	5,539,964
Total Net Assets	<u>\$ 29,997,796</u>

The notes to the financial statements are an integral part of this statement.

JEFFERSON DAVIS COUNTY
Statement of Activities
For the Year Ended September 30, 2010

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 3,080,481	212,417	16,335		(2,851,729)
Public safety	2,060,935	164,714	161,531	21,421	(1,713,269)
Public works	3,904,697		617,149	646,265	(2,641,283)
Health and welfare	203,299		21,389		(181,910)
Culture and recreation	166,252		94,640		(71,612)
Education			340		340
Conservation of natural resources	96,856		13,500		(83,356)
Economic development and assistance	84,013				(84,013)
Interest on long-term debt	57,823				(57,823)
Total Governmental Activities	<u>9,654,356</u>	<u>377,131</u>	<u>924,884</u>	<u>667,686</u>	<u>(7,684,655)</u>
General revenues:					
Property taxes				\$	4,093,396
Road & bridge privilege taxes					169,315
Grants and contributions not restricted to specific programs					2,051,377
Unrestricted interest income					76,111
Miscellaneous					191,423
Total General Revenues					<u>6,581,622</u>
Changes in Net Assets					(1,103,033)
Net Assets - Beginning					<u>31,100,829</u>
Net Assets - Ending				\$	<u><u>29,997,796</u></u>

The notes to the financial statements are an integral part of this statement.

JEFFERSON DAVIS COUNTY
Balance Sheet - Governmental Funds
September 30, 2010

Exhibit 3

	Major Fund		
	General	Other	Total
	Fund	Governmental	Governmental
		Funds	Funds
ASSETS			
Cash	\$ 6,755,790	2,229,911	8,985,701
Property tax receivable	2,384,618	1,747,500	4,132,118
Fines receivable (net of allowance for uncollectibles of \$1,496,704)	322,231		322,231
Intergovernmental receivables	44,381	6,000	50,381
Other receivables	12,017		12,017
Due from other funds		97,970	97,970
Total Assets	\$ 9,519,037	4,081,381	13,600,418
LIABILITIES AND FUND BALANCES			
Liabilities:			
Claims payable	\$ 114,189	152,017	266,206
Intergovernmental payables	196,258		196,258
Due to other funds	108,942		108,942
Deferred revenue	2,706,849	1,747,500	4,454,349
Other payables	58,280		58,280
Total Liabilities	3,184,518	1,899,517	5,084,035
Fund balances:			
Reserved for:			
Debt service		132,782	132,782
Unemployment compensation		17,255	17,255
Unreserved - undesignated, reported in:			
General Fund	6,334,519		6,334,519
Special Revenue Funds		2,031,827	2,031,827
Total Fund Balances	6,334,519	2,181,864	8,516,383
Total Liabilities and Fund Balances	\$ 9,519,037	4,081,381	13,600,418

The notes to the financial statements are an integral part of this statement.

JEFFERSON DAVIS COUNTY

Exhibit 3-1Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2010

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 8,516,383
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$37,517,994.	22,581,194
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	322,231
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(1,422,012)</u>
Total Net Assets - Governmental Activities	\$ <u><u>29,997,796</u></u>

The notes to the financial statements are an integral part of this statement.

JEFFERSON DAVIS COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the Year Ended September 30, 2010

	Major Fund	Other	Total
	General	Governmental	Governmental
	Fund	Funds	Funds
REVENUES			
Property taxes	\$ 2,395,273	1,698,123	4,093,396
Road and bridge privilege taxes		169,315	169,315
Licenses, commissions and other revenue	81,293	3,805	85,098
Fines and forfeitures	110,751		110,751
Intergovernmental revenues	2,045,905	1,598,042	3,643,947
Charges for services	28,420	120,404	148,824
Interest income	71,767	4,344	76,111
Miscellaneous revenues	157,263	34,160	191,423
Total Revenues	<u>4,890,672</u>	<u>3,628,193</u>	<u>8,518,865</u>
EXPENDITURES			
Current:			
General government	2,833,608	174,861	3,008,469
Public safety	1,824,531	164,286	1,988,817
Public works	7,175	4,146,506	4,153,681
Health and welfare	180,981		180,981
Culture and recreation	55,104	96,120	151,224
Conservation of natural resources	100,206		100,206
Economic development and assistance	59,700	13,500	73,200
Debt service:			
Principal		128,829	128,829
Interest		57,823	57,823
Total Expenditures	<u>5,061,305</u>	<u>4,781,925</u>	<u>9,843,230</u>
Excess of Revenues over (under) Expenditures	<u>(170,633)</u>	<u>(1,153,732)</u>	<u>(1,324,365)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets		19,358	19,358
Transfers in	10,515	559,423	569,938
Transfers out	(506,228)	(63,710)	(569,938)
Total Other Financing Sources and Uses	<u>(495,713)</u>	<u>515,071</u>	<u>19,358</u>
Net Changes in Fund Balances	<u>(666,346)</u>	<u>(638,661)</u>	<u>(1,305,007)</u>
Fund Balances - Beginning	<u>7,000,865</u>	<u>2,820,525</u>	<u>9,821,390</u>
Fund Balances - Ending	<u>\$ 6,334,519</u>	<u>2,181,864</u>	<u>8,516,383</u>

The notes to the financial statements are an integral part of this statement.

JEFFERSON DAVIS COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2010

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (1,305,007)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$1,014,341 exceeded depreciation of \$934,933 in the current period.	79,408
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net loss of \$19,363 and the proceeds from the sale of \$19,358 in the current period.	(38,721)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	32,458
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount of debt repayments.	<u>128,829</u>
Change in Net Assets of Governmental Activities	\$ <u><u>(1,103,033)</u></u>

The notes to the financial statements are an integral part of this statement.

JEFFERSON DAVIS COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2010

Exhibit 5

	Agency Funds
ASSETS	
Cash	\$ 69,975
Due from other funds	<u>10,972</u>
Total Assets	<u>\$ 80,947</u>
LIABILITIES	
Amounts held in custody for others	\$ 8,330
Intergovernmental payables	<u>72,617</u>
Total Liabilities	<u>\$ 80,947</u>

The notes to the financial statements are an integral part of this statement.

JEFFERSON DAVIS COUNTY

(This page left blank intentionally.)

JEFFERSON DAVIS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Jefferson Davis County is a political subdivision of the State of Mississippi. The county is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Jefferson Davis County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county.

Management has chosen to omit from these financial statements the following component units which have significant operational or financial relationships with the county. Accordingly, the financial statements do not include the data of all of the county's component units necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

- Jefferson Davis County Hospital
- Jefferson Davis County Economic Development District

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the county legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor-Collector
- Sheriff

B. Basis of Presentation.

The county's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues.

The Statement of Net Assets presents the financial condition of the governmental activities of the county at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the county's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues, are presented as general revenues of the county, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the county.

JEFFERSON DAVIS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

Fund Financial Statements:

Fund financial statements of the county are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into governmental and fiduciary. Major individual Governmental Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

C. Measurement Focus and Basis of Accounting.

The Government-wide and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The county reports the following major Governmental Fund:

General Fund - This fund is used to account for all activities of the general government for which a separate fund has not been established.

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Special Revenue Funds account for, among others, certain federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

Debt Service Funds - These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the county, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

JEFFERSON DAVIS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

E. Deposits and Investments.

State law authorizes the county to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the county may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the county did not invest in any governmental securities during the fiscal year.

F. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Jefferson Davis County elected to report major general infrastructure assets acquired after September 30, 1980, on the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

JEFFERSON DAVIS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

I. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Assets.

J. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net assets - All other net assets not meeting the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved or unreserved with unreserved classified as designated and undesignated.

Unreserved fund balance represents the amount available for budgeting future operations. Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose.

JEFFERSON DAVIS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

K. Property Tax Revenues.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the county. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

L. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

(2) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2010, was \$9,055,676, and the bank balance was \$9,194,015. The collateral for public entities' deposits in financial institutions are held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the county.

JEFFERSON DAVIS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2010

(3) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2010:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 97,970
Agency Funds	General Fund	10,972
Total		<u>\$ 108,942</u>

The receivables represent the tax revenue collected but not settled until October, 2010. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 10,515
Other Governmental Funds	General Fund	506,228
Other Governmental Funds	Other Governmental Funds	53,195
Total		<u>\$ 569,938</u>

The principal purpose of interfund transfers was to provide funds for grant matches or to provide funds to pay for capital outlay. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(4) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2010, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 44,381
HOME Grant	<u>6,000</u>
Total Governmental Activities	<u>\$ 50,381</u>

JEFFERSON DAVIS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2010

(5) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2010:

Governmental activities:

	Balance Oct. 1, 2009	Additions	Deletions	Adjustments *	Balance Sept. 30, 2010
<u>Non-depreciable capital assets:</u>					
Land	\$ 381,562				381,562
Total non-depreciable capital assets	381,562	0	0	0	381,562
<u>Depreciable capital assets:</u>					
Infrastructure	46,096,025	592,293			46,688,318
Buildings	5,752,437				5,752,437
Improvements other than buildings	123,876				123,876
Mobile equipment	5,876,527	288,405	127,686	50,268	6,087,514
Furniture and equipment	745,297	133,643	33,051	(50,268)	795,621
Leased property under capital leases	269,860				269,860
Total depreciable capital assets	58,864,022	1,014,341	160,737	0	59,717,626
<u>Less accumulated depreciation for:</u>					
Infrastructure	31,354,622	168,744			31,523,366
Buildings	1,738,028	107,941			1,845,969
Improvements other than buildings	69,384	4,956			74,340
Mobile equipment	3,133,842	461,671	112,056		3,483,457
Furniture and equipment	332,713	122,378	9,960		445,131
Leased property under capital leases	76,488	69,423			145,731
Total accumulated depreciation	36,705,077	934,933	122,016	0	37,517,994
Total depreciable capital assets, net	22,158,945	79,408	38,721	0	22,199,632
Governmental activities capital assets, net	\$ 22,540,507	79,408	38,721	0	22,581,194

* The adjustment above in the amount of \$50,268 was for the reclassification of mobile equipment from furniture and equipment.

JEFFERSON DAVIS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 72,012
Public safety	233,646
Public works	579,466
Health and welfare	22,318
Culture and recreation	15,028
Conservation of natural resources	1,650
Economic development and assistance	<u>10,813</u>
Total governmental activities depreciation expense	<u>\$ 934,933</u>

(6) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2010, to January 1, 2011. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(7) Operating Leases.

As Lessor:

The county receives income from property it leases under noncancellable operating leases. Total income from such leases was \$24,000 for the year ended September 30, 2010. The lease is automatically renewed from year to year unless notice of termination is given in writing by either party at least 30 days prior to the last day of the lease term.

(8) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2010:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 269,860
Less: Accumulated depreciation	<u>145,731</u>
Leased Property Under Capital Leases	<u>\$ 124,129</u>

JEFFERSON DAVIS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2010

The following is a schedule by years of the total payments due as of September 30, 2010:

Year Ending September 30	Governmental Activities	
	Principal	Interest
2011	\$ 140,079	3,287

(9) Long-term Debt.

Debt outstanding as of September 30, 2010, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Hospital bond	\$ 1,281,933	4.25%	07-2025
B. Capital Leases:			
420E Caterpillar backhoe	\$ 40,205	3.74%	04-2011
LeeBoy motorgrader	21,991	2.99%	05-2011
Caterpillar excavator	77,883	3.19%	09-2011
Total Capital Leases	\$ 140,079		

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Assets are as follows:

Governmental Activities:

Year Ending September 30	General Obligation Bonds	
	Principal	Interest
2011	\$ 65,832	54,519
2012	68,628	51,721
2013	71,544	48,804
2014	74,586	45,763
2015	77,760	42,593
2016 – 2020	441,282	160,496
2021 – 2025	482,301	58,411
Total	\$ 1,281,933	462,307

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2010, the amount of outstanding debt was equal to less than 1% of the latest property assessments.

JEFFERSON DAVIS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2010:

	Balance Oct. 1, 2009	Additions	Reductions	Adjustments	Balance Sept. 30, 2010	Amount due within one year
Governmental Activities:						
General obligation bonds	\$ 1,350,517		68,584		1,281,933	65,832
Capital leases	200,324		60,245		140,079	140,079
Total	\$ 1,550,841	0	128,829	0	1,422,012	205,911

(10) Contingencies.

Federal Grants - The county has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the county. No provision for any liability that may result has been recognized in the county's financial statements.

Litigation - The county is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the county with respect to the various proceedings. However, the county's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the county.

(11) Related Organization

The Jefferson Davis County Board of Supervisors is responsible for appointing a voting majority of the members of the board of the Prentiss/Jefferson Davis County Airport, but the county's accountability for this organization does not extend beyond making the appointment. The county appropriated \$5,000 for the airport's support in fiscal year 2010.

(12) Joint Venture.

The county participates in the following joint venture:

Jefferson Davis County is a participant with Marion County in a joint venture, authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the South Mississippi Regional Library. The joint venture was created to provide library service for the Counties of Jefferson Davis and Marion, and is governed by a five-member board. The two counties rotate board appointments so each county has a majority of board members in alternate years. Complete financial statements for the South Mississippi Regional Library can be obtained from the Marion County branch located at 900 Broad Street, Columbia, Mississippi.

JEFFERSON DAVIS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

(13) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Pearl River Valley Opportunity, Inc., operates in a district composed of Counties of Covington, Forrest, Jefferson Davis, Jones, Lamar, Marion, Pearl River and Perry. The entity was created to administer programs conducted by community action agencies, limited purpose agencies and related programs authorized by federal law. The Jefferson Davis County Board of Supervisors appoints one of the 24 members of the board or directors. The primary source of funding for the entity is derived from federal funds. The county appropriated \$5,000 for support of the entity in fiscal year 2010.

Southeast Mississippi Air Ambulance District operates in a district composed of the Counties of Covington, Forrest, Greene, Jefferson Davis, Lamar, Marion, Pearl River, Perry, Stone and Walthall. The Jefferson Davis County Board of Supervisors appoints one of the ten members of the board of directors. The county appropriated \$36,000 for support of the district in fiscal year 2010.

Pearl River Community College operates in a district composed of the Counties of Forrest, Hancock, Jefferson Davis, Lamar, Marion, and Pearl River. The Jefferson Davis County Board of Supervisors appoints two of the 16 members of the college board of trustees. The county appropriated \$178,697 for maintenance and support of the college in the fiscal year 2010. This amount includes payments for July through September of fiscal year 2009 that were not made until fiscal year 2010 due to change in staffing in the county's bookkeeping office.

Southern Mississippi Planning and Development District operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The Jefferson Davis County Board of Supervisors appoints one of the 27 members of the board of directors. The county appropriated \$20,995 for support of the district in fiscal year 2010.

Pine Belt Mental Health Care Resources operates in a district composed of the Counties of Covington, Forrest, Greene, Jefferson Davis, Jones, Lamar, Marion, Perry and Wayne. The Jefferson Davis County Board of Supervisors appoints one of the nine members of the board of commissioners. The county appropriated \$31,000 for support of the entity in fiscal year 2010.

Pearl and Leaf River Rails-to-Trails Recreational District operates in a district composed of the Counties of Forrest, Jefferson Davis, and Lamar, and the Cities of Bassfield, Hattiesburg, Prentiss and Sumrall. The Jefferson Davis County Board of Supervisors appoints one of the seven members of the board of directors. The county appropriated \$16,250 for support of the district in the fiscal year 2010.

(14) Defined Benefit Pension Plan.

Plan Description. Jefferson Davis County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. At September 30, 2010, PERS members were required to contribute 9% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2010 was 12% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2010, 2009 and 2008 were \$338,758, \$324,372, and \$278,658, respectively, equal to the required contributions for each year.

JEFFERSON DAVIS COUNTY

(This page left blank intentionally.)

JEFFERSON DAVIS COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

JEFFERSON DAVIS COUNTY
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
General Fund
For the Year Ended September 30, 2010

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,218,400	2,371,854	2,371,854	
Licenses, commissions and other revenue	81,060	78,240	78,240	
Fines and forfeitures	128,900	105,553	105,553	
Intergovernmental revenues	3,342,800	2,304,684	2,304,684	
Charges for services	37,000	28,420	28,420	
Interest income	160,000	23,374	23,374	
Miscellaneous revenues	141,625	158,604	158,604	
Total Revenues	<u>6,109,785</u>	<u>5,070,729</u>	<u>5,070,729</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	3,258,437	2,949,930	2,949,930	
Public safety	1,884,532	1,753,550	1,753,550	
Public works	45,000	47,175	47,175	
Health and welfare	198,191	185,571	185,571	
Culture and recreation	64,750	64,750	64,750	
Education	216,500	179,000	179,000	
Conservation of natural resources	110,076	103,141	103,141	
Economic development and assistance	60,100	61,125	61,125	
Total Expenditures	<u>5,837,586</u>	<u>5,344,242</u>	<u>5,344,242</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>272,199</u>	<u>(273,513)</u>	<u>(273,513)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	1,417,525	1,545,515	1,545,515	
Other financing uses	(8,505,250)	(3,000,000)	(3,000,000)	
Total Other Financing Sources and Uses	<u>(7,087,725)</u>	<u>(1,454,485)</u>	<u>(1,454,485)</u>	<u>0</u>
Net Change in Fund Balance	(6,815,526)	(1,727,998)	(1,727,998)	
Fund Balances - Beginning	<u>6,883,126</u>	<u>6,910,372</u>	<u>6,910,372</u>	
Fund Balances - Ending	<u>\$ 67,600</u>	<u>5,182,374</u>	<u>5,182,374</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

JEFFERSON DAVIS COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2010

A. Budgetary Information.

Statutory requirements dictate how and when the county's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the county, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The county's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund:

	Governmental Fund Types
	General Fund
Budget (Cash Basis)	\$ (1,727,998)
Increase (Decrease)	
Net adjustments for revenue accruals	(1,715,057)
Net adjustments for expenditure accruals	2,776,709
GAAP Basis	\$ (666,346)

JEFFERSON DAVIS COUNTY

(This page left blank intentionally.)

JFFFERSON DAVIS COUNTY

SUPPLEMENTAL INFORMATION

JEFFERSON DAVIS COUNTY

Reconciliation of Operating Costs of Solid Waste
For the Year Ended September 30, 2010

Operating Expenditures, Cash Basis:

Salaries	\$	237,233
Expendable Commodities:		
Gasoline and petroleum products		55,789
Repair parts		7,344
Maintenance		5,663
Contractual services		92,744
Supplies		<u>2,168</u>
Solid Waste Cash Basis Operating Expenditures		400,941
Full Cost Expenses:		
Indirect administrative costs		4,868
Depreciation on equipment		<u>62,561</u>
Solid Waste Full Cost Operating Expenses	\$	<u><u>468,370</u></u>

JEFFERSON DAVIS COUNTY

SPECIAL REPORTS

JEFFERSON DAVIS COUNTY

(This page left blank intentionally.)



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE
FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Supervisors
Jefferson Davis County, Mississippi

We have audited the financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Jefferson Davis County, Mississippi, as of and for the year ended September 30, 2010, which collectively comprise the county's basic financial statements and have issued our report thereon dated February 24, 2012. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Jefferson Davis County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the Schedule of Findings and Responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as 10-1 to be a material weakness.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 10-2 and 10-3 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jefferson Davis County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Jefferson Davis County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit Jefferson Davis County's responses and, accordingly, we express no opinion them.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Will R. Dooss". The signature is written in a cursive, flowing style.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

February 24, 2012



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON CENTRAL PURCHASING SYSTEM,
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))**

Members of the Board of Supervisors
Jefferson Davis County, Mississippi

We have examined Jefferson Davis County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2010. The Board of Supervisors of Jefferson Davis County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

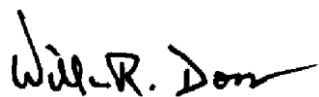
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Jefferson Davis County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

In our opinion, Jefferson Davis County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

The accompanying schedules of (1) purchases not made from the lowest bidder, (2) emergency purchases and (3) purchases made noncompetitively from a sole source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

This report is intended for use in evaluating the central purchasing system and inventory control system of Jefferson Davis County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Will R. Doss". The signature is written in a cursive, somewhat stylized font.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

February 24, 2012

JEFFERSON DAVIS COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2010

Schedule 1

Our test results did not identify any purchases made from other than the lowest bidder.

JEFFERSON DAVIS COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2010

Schedule 2

Our test results did not identify any emergency purchases.

JEFFERSON DAVIS COUNTY

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2010

Schedule 3

Our test results did not identify any purchases made noncompetitively from a sole source.

JEFFERSON DAVIS COUNTY

(This page left blank intentionally.)



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Jefferson Davis County, Mississippi

In planning and performing our audit of the financial statements of Jefferson Davis County, Mississippi for the year ended September 30, 2010, we considered Jefferson Davis County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Jefferson Davis County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated February 24, 2012, on the financial statements of Jefferson Davis County, Mississippi.

Although no findings came to our attention as a result of these review procedures and compliance tests, these procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of the internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Will R. Dooss".

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

February 24, 2012

JEFFERSON DAVIS COUNTY

(This page left blank intentionally.)

JEFFERSON DAVIS COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

JEFFERSON DAVIS COUNTY

(This page left blank intentionally.)

JEFFERSON DAVIS

Schedule of Findings and Responses
For the Year Ended September 30, 2010

Section 1: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued on the financial statements:

Governmental activities	Unqualified
Aggregate discretely presented component units	Adverse
General fund	Unqualified
Aggregate remaining fund information	Unqualified
2. Internal control over financial reporting:
 - a. Material weakness identified? Yes
 - b. Significant deficiencies identified that are not considered to be material weaknesses? Yes
3. Noncompliance material to the financial statements noted? No

Board of Supervisors.

Significant Deficiency – Material Weakness

Failure to include component unit financial data

10-1. Finding

Generally accepted accounting principles require the financial data for the county's component units to be reported with the financial data for the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units.

A critical aspect of effective financial management is the maintenance of accurate accounting records. As reported in the prior three years' audit reports, the financial statements do not include the financial data for the county's legally separate component units.

Due to the failure of the Board of Supervisors to obtain the financial statements for both the Jefferson Davis County Hospital and Jefferson Davis County Economic Development District, the county will have a finding for the third consecutive year related to the omission of the financial data of its component units.

The failure to properly follow generally accepted accounting principles resulted in an adverse opinion on its discretely presented component units.

Recommendation

We recommend in the future the Board of Supervisors should provide the financial data for its discretely presented component units for the inclusion in the county's financial statements.

Board of Supervisors' Response

The Board of Supervisors will plan to request financial statements from the Jefferson Davis County Hospital and Jefferson Davis County Economic Development District.

JEFFERSON DAVIS

Schedule of Findings and Responses
For the Year Ended September 30, 2010

Tax Assessor/Collector.

Significant Deficiency

Tax Assessor/Collector is not reconciling cash journals to bank statements.

10-2. Finding

An effective system of control over the collection, recording, and disbursement of cash should include maintaining a cash journal.

A critical aspect of effective financial management is the maintenance of accurate accounting records. As reported in the prior five years' audit reports, the cash journal was not properly maintained. The stated cash balance in each month's cash journal does not reconcile to the corresponding month's bank reconciliation.

Due to ineffective internal controls concerning the cash journals and bank reconciliations, the Tax Assessor/Collector has an unidentified overage in the amount of \$24,945.

The failure to properly maintain a cash journal could result in inaccurate reporting, incomplete settlements, and increases the possibility of the loss or misappropriation of public funds.

Recommendation

We recommend that in the future the Tax Assessor/Collector maintains cash journal and properly reconcile the bank statement to the cash journal.

Tax Assessor/Collector's Response

This problem was carried over from the prior administration (Katherine Barnes) to my administration in June 26, 2001. It has been my diligent attempt to alleviate the problem with Auditors, Delta Computer/Bookkeeping, and Jefferson Davis County Tax Collector. Since that time with all parties involved nothing has resulted in the clearing of this problem to date. Therefore, a collective conclusion and decision has been made to turn the overage over to the General Fund of Jefferson Davis County as of November 3, 2011.

Sheriff.

Significant Deficiency

Sheriff's Office is not making deposits daily.

10-3. Finding

Management is responsible for establishing a proper internal control system to ensure a strong financial accountability and safeguarding of assets and revenue.

During our test of internal controls of the Sheriff's Office receipts, we noted six out of six deposits were not made in a timely manner. It has also been noted deposits are only made monthly.

This weakness is due to inadequate internal controls surrounding the depositing of revenue collected in the Sheriff's Office.

Inadequate controls surrounding the deposits of revenue collections could result in misappropriation of assets and improper revenue recognition.

JEFFERSON DAVIS

Schedule of Findings and Responses
For the Year Ended September 30, 2010

Recommendation

We recommend in the future that all revenue collected in the Sheriff's Office is deposited daily.

Sheriff's Office Response

As of November 2, 2011, my office will be making daily deposits of all monies that are received each day.